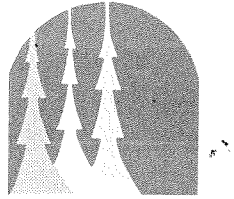


Michigan Forest Association



1558 Barrington, Ann Arbor MI 48103-5603
Phone: 734-665-8279 • Fax: 734-913-9167 • Email: mfa@i-star.com

October 5, 2005

The House Standing Committee on Tax Policy
Michigan House of Representatives
P O Box 30014
Lansing MI 48909

Re: House Bill No. 4764

Dear Members of the Tax Policy Committee:

The Michigan Forest Association has long sought equitable taxation for forest landowners growing timber for commercial use. We have participated in meetings with many different stakeholders on the Commercial Forest Act and the Private Forest Reserve Act and we have testified at many legislative hearings. The current tax rates far exceed the cost of services provided to forest landowners. Forest land uses should be encouraged because forests provide public, social, and environmental benefits for which landowners are not compensated. Our goal is to make tax assessments and taxes levied provide for the needs of various segments of government without being confiscatory so that excessive taxation forces owners to sell forested property for conversion to other uses.

Private forest landowners provide a significant portion of the forest products to make lumber, veneer, particle board, paper and many other products for industry. The manufacture of wood products is a source of new wealth for Michigan's economy. While local governments might receive lower direct income from property taxes if HB4764 is passed, they are almost sure to benefit from taxes on increased industrial production that would more than offset losses in direct land tax revenue.

Inappropriate tax policy was one of the root causes of failure to allow for appropriate attention to regeneration following the heavy timber harvest in the late 1800s and the early 1900s that left Michigan with severely reduced forest resources. We are anxious to get tax policies today that do not have similar results.

The Michigan Forest Association is very much in favor of accomplishing the intent of HB 4764. We believe that taxing managed forest land as agricultural

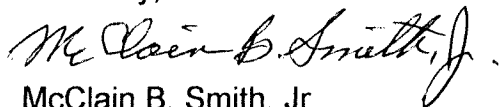
may be a more effective way to get equitable taxation than some of the other methods previously proposed. We are in favor of providing this treatment for Tree Farms, but we suggest that it not be limited to the designated Tree Farm program of the American Forest Foundation. Private forest land can be well managed without being identified with or linked to a specific titled forestry program.

We suggest that the committee consider amending the definition of timber-cutover real property (2)(f), as follows: Delete "parcels that are stocked with forest products of merchantable type and size," (page 4, lines 14 & 15) and add at the end of paragraph (f): **TIMBER-CUTOVER REAL PROPERTY DOES NOT INCLUDE A PARCEL OF LAND STOCKED WITH FOREST PRODUCTS IF THE PARCEL IS BEING MANAGED AND HARVESTED IN ACCORDANCE WITH A CERTIFIED FOREST MANAGEMENT PLAN.**

We suggest that page 2, line 24 read "and planting **OR OTHERWISE REGENERATING FOREST PRODUCTS.**"

The Michigan Forest Association appreciates your efforts to promote wise tax policy and we invite you to call on us to help with possible amendments to the wording of the current bill.

Sincerely,

A handwritten signature in cursive script, reading "McClain B. Smith, Jr.", written in black ink.

McClain B. Smith, Jr.
Executive Director